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May 5, 2004

**VIA HAND DELIVERY**

Ms. Deborah Taylor Tate, Chairman  
TENNESSEE REGULATORY AUTHORITY  
460 James Robertson Parkway  
Nashville, Tennessee 37243

**Re: *Petition of Chattanooga Gas Company for Approval of Adjustment of its Rates and Charges and Revised Tariff, Docket No. 04-00034***

Dear Chairman Tate:

Enclosed please find the original and thirteen (13) copies of our response, on behalf of the Intervenor Gas Technology Institute, to Consumer Advocate and Protection Division's Discovery Request.

Should you have any questions concerning this filing, please do not hesitate to contact me.

Thanking you in advance for your assistance with this matter, I am

Very truly yours,



R. Dale Grimes

RDG/tn  
Enclosures

cc: D. Billye Sanders, Esq.  
Timothy C. Phillips, Esq.  
Vance L. Broemel, Esq.  
Henry M. Walker, Esq.  
David C. Higney, Esq.  
J Richard Collier, Esq.

**BEFORE THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE**

<b>IN RE:</b>	)	
	)	
<b>PETITION OF CHATTANOOGA</b>	)	
<b>GAS COMPANY FOR APPROVAL</b>	)	<b>DOCKET NO. 04-00034</b>
<b>OF ADJUSTMENT OF ITS RATES</b>	)	
<b>AND CHARGES AND REVISED TARIFF</b>	)	

**GAS TECHNOLOGY INSTITUTE'S RESPONSES TO  
CONSUMER ADVOCATE AND PROTECTION DIVISION'S  
DISCOVERY REQUEST**

Gas Technology Institute ("GTI") hereby responds to Consumer Advocate and Protection Division of the Office of the Attorney General's ("CAPD") Discovery Requests as follows:

**GENERAL OBJECTIONS**

1 GTI objects to each of the Discovery Requests that seeks information or documents that are not relevant to the matters at issue in this docket nor reasonably calculated to lead to the discovery of admissible evidence.

2. GTI objects to each of the Discovery Requests and to the "Preliminary Matters and Definitions" to the extent they seek to expand the scope and obligations of discovery beyond that provided in the Tennessee Rules of Civil Procedure and the Rules of this Authority, including, but not limited to supplementation, the definition of "you," and the obligation of the Company's designee.

3. GTI objects to each of the Discovery Requests that seeks information protected by the attorney-client privilege, the work product doctrine, and/or any other applicable privilege or statutory or contractual restriction on disclosure. GTI will not provide information or documents that are protected from disclosure under any of the foregoing privileges or doctrines

4. The responses set forth below is based upon information now available to GTI, and GTI reserves the right at any time to revise, correct, add to or clarify the objections and responses set forth herein. Failure to object herein shall not constitute a waiver of any objection that GTI may interpose as to future supplemental responses.

5. GTI is providing its responses herein without waiver of or prejudice to its right at any later time to raise objections to:

- a. the competence, relevance, materiality, privilege, or admissibility of the response, the subject matter thereof or documents produced pursuant thereto;
- b. all objections as to vagueness, ambiguity, and undue burden; and
- c. all rights to object to the use of any documents or responses, or the subject matter thereof, in any subsequent proceedings, including, but not limited to, the hearing of this or any other action.

6. GTI objects to any production of proprietary and confidential information as premature prior to entry of an appropriate protective order.

7. The objections and statements set forth above are incorporated in the responses set forth below, and qualify GTI's response, whether explicitly or implicitly, that GTI will provide the information or documents sought.

**DISCOVERY RESPONSE NO. 1**

**Q. With respect to GTI's filing with the FERC, "Application of Gas Technology Institute Requesting Advanced Approval of a New Gas Industry Collaborative Program as Specified in the 2005-2009 RD&D Plan and 2005 RD&D Program and Jurisdictional Rate Provisions to Fund A 2005 RD&D Program," in FERC Docket RP04-\_\_\_: is that FERC funding request to take the place of state mandated funding or is it in addition to state funding?**

A. The proposed FERC funding for a 2005 RD&D program is for longer term RD&D that would not be funded within the context of state-approved funding, so it is not duplicative of projects covered within the state-approved funding. The 2005 FERC proposal is for long-term (greater than 4 years), high-risk breakthrough supply, transmission, storage, distribution and end-use research that addresses national needs. The proposed voluntary program within this docket is for near-to-mid-term (1-3 year), incremental-improvement R&D in distribution and increased-efficiency end use that addresses Tennessee or regional needs. These programs are not duplicative.

Nevertheless, if the FERC funding is approved, for 0.56 cents/Dth, *then the proposed state-approved funding will be reduced by that amount, from 1.74 cents/Dth to 1.18 cents per Dth*, so that the Tennessee gas consumer is never charged more for RD&D than they were under the 1998 FERC-approved program (1.74 cents per Dth).

**DISCOVERY RESPONSE NO. 2**

**Q. If the funding is separate, what is the amount of the request for funding in Tennessee exclusive of the FERC proposal?**

A. If the FERC funding is approved, for 0.56 cents/Dth, *then the proposed state-approved funding will be reduced by that amount, from 1.74 cents/Dth to 1.18 cents per Dth*, so that the Tennessee gas consumer is never charged more for RD&D than they were under the 1998 FERC-approved program (1.74 cents per Dth). If the FERC funding is not approved, then the proposed funding for the state-approved RD&D program is 1.74 cents per Dth.

**DISCOVERY RESPONSE NO. 3**

**Q. How will GTI projects specific to GTI be chosen if the company is not formally proposing GTI projects?**

A. GTI has specified specific projects (in Exhibit 2 to the Qualifications and Direct Testimony of Ronald B. Edelstein) in operations, end use, and environmental R&D that are candidates for the Company, with appropriate Authority oversight, to select on behalf of its consumers. As this is a "customer choice" program, GTI intends that the Company, with oversight as indicated, will select each project it wishes to fund on behalf of the consumer. As the company selects R&D programs and projects, the company *will* enter into formal, written contractual agreements with GTI to manage and/or perform the R&D.

GTI reserves the right to supplement this response as the case develops and the parties' positions on this matter become clarified.

**DISCOVERY RESPONSE NO. 4**

**Q. Describe the administrative process to be handled by GTI for billing, handling, and reporting, and issuing funding to GTI.**

A. Although GTI is providing the following suggested answers, it is up to the Authority to decide on appropriate accounting, reporting, and auditing requirements. In addition, the Company may have its own suggestions that should be considered.

Reporting: GTI recommends twice per year reporting to the Authority on the selection and progress of the R&D projects selected by the Company for R&D funding. The Authority would have the right to suggest projects for the Company to select for funding. The actual selection of projects would be performed by the Company on behalf of its customers, subject to Authority oversight. Once every four years, GTI would work with the Company to develop a benefit-cost analysis for the specific projects funded by the Company.

Collecting: Collections from the customer can be made through rates, the purchased gas adjustment, or via a separate tariff sheet, whatever the Authority determines. GTI suggests the use of a balancing account or similar procedure to ensure that the funds are retained for R&D purposes. The Company could report on balancing account balances as requested by the Authority.

Billing: Companies will be invoiced based on the contractual agreements they have signed with GTI and others.

Disbursement: Once funds are received by GTI from the Company, they will be

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Discovery Request No. 4  
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disbursed to GTI performing laboratories or other performing organizations. GTI would report disbursement of funds by program or project on a twice per year basis.

Auditing: GTI would be subject to audit by the Authority as it is by FERC for its FERC-approved program or by DCAA for federal funding.

GTI reserves the right to supplement this response as the case develops and the parties' positions on this matter become clarified.



**DISCOVERY RESPONSE NO. 5**

**Q. How will specific R&D projects be chosen? Who will choose the projects? How will the status of the projects be reported to the TRA by GTI?**

A. The company will select the specific R&D projects to be funded, with Authority oversight. On an ongoing basis, we propose that once every six months, the Authority will be sent a list of projects that the company is investing in on behalf of gas consumers, including progress of ongoing R&D. These progress reports will include technical results, key decision points reached (and the decision), and next steps.

If the Authority does not feel any specific new project should be funded, it will let the gas LDC's know. If the Authority would like to suggest a specific R&D topic, it would be free to do so as well. The GTI program is a "customer choice" program, where each LDC in each state gets to choose specifically which projects they would like to invest in pursuant to appropriate oversight.

Once every four years, GTI proposes doing a Tennessee-specific benefit-cost analysis to determine the benefit-cost ratio for Tennessee gas consumers.

GTI reserves the right to supplement this response as the case develops and the parties' positions on this matter become clarified.

**DISCOVERY RESPONSE NO. 6**

**Q. How much funding is being solicited by GTI for GTI customers? If approved by the TRA, will other gas utilities in Tennessee be required to fund GTI in the same manner and rate?**

A. GTI is requesting 1.74 cents per Dth for funding R&D by the Company's customers (except if the FERC II program is approved, then GTI is requesting 1.18 cents per Dth). If this applies to all gas sold by the Company (about 20 Bcf average), this could raise up to \$348,000 per year.

If this is approved, GTI would hope that other Tennessee LDC's would also apply for this R&D surcharge.

A number of Tennessee municipal utilities, including Middle Tennessee Gas, Memphis Gas Light & Water, Brownsville, and Jackson Energy Authority, are already collecting this R&D surcharge.

**DISCOVERY RESPONSE NO. 7**

**Q. Identify each person whom you expect to call as an expert witness at any hearing in this docket, and for each expert witness:**

- (A) Identify the field in which the witness is to be offered as an expert;**
- (B) provide complete background information, including the expert's current employer as well as his or her educational, professional and employment history, and qualifications within the field in which the witness is expected to testify, and identify all publications written or presentations presented in whole or in part by the witness;**
- (C) provide the grounds (including without limitation any factual basis) for the opinions to which the witness is expected to testify, and provide a summary of the grounds for each such opinion;**
- (D) identify any matter in which the expert has testified (through deposition or otherwise) by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;**
- (E) identify the terms of the retention or engagement of each expert including but not limited to the terms of any retention or engagement letters or agreements relating to his/her engagement, testimony, and opinions as well as the compensation to be paid for the testimony and opinions;**
- (F) identify all documents or things shown to, delivered to, received from, relied upon, or prepared by any expert witness, which are related to the witness(es)' expected testimony in this case, whether or not such documents are supportive of such testimony, including without limitation all documents or things provided to that expert for review in connection with testimony and opinions; and**
- (G) identify any exhibits to be used as a summary of or support for the testimony or opinions provided by the expert.**

A. GTI has pre-filed the "Qualifications and Direct Testimony of Ronald B Edelstein" which answers a number of these questions to the extent Mr. Edelstein may be called as an expert witness. In light of the pending Motion to Sever GTI from this docket and the volume of

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Response to  
Consumer Advocate and Protection Division's  
Discovery Request No. 7  
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information sought by this request, GTI objects to providing any further information until that motion is decided. GTI further reserves the right to raise additional objections including, but not limited to, undue burdensomeness and irrelevance.

**DISCOVERY RESPONSE NO. 8**

**Q. Please produce copies of any and all documents referred to or relied upon in responding to the Attorney General's discovery requests.**

**A. None are applicable at this time.**

**DISCOVERY RESPONSE NO. 9**

**Q. Please provide copies of all materials provided to, reviewed by, used by or produced by any expert or consultant retained by GTI to testify or to provide information from which another expert will testify concerning this case, including all work papers.**

**A. GTI has not retained consultants or expert witnesses in this case. In addition GTI incorporates by reference its answer and objections to Request No. 7.**

**DISCOVERY RESPONSE NO. 10**

**Q. Please produce a copy of all articles, journals, books or speeches written by or co-written by any of GTI's expert witnesses, whether published or not.**

**A. GTI incorporates by reference its answers and objections to Requests No. 7 and 9.**

**DISCOVERY RESPONSE NO. 11**

**Q. Explain the verification/analysis process to be implemented by TRA staff of GTI funding.**

A. Of course, this is up to the Authority, not GTI. If the Authority, accepts our suggestion, it will have available to its analysts twice per year progress reports on the R&D projects selected by the Company. Also, once every four years, they would have a benefit-cost analysis of the entire portfolio of projects selected by the Company over that time frame.

GTI would expect that the Authority will comment on the initial project list provided in this docket, suggest new safety or other projects it feels are needed, and will comment on any new projects selected by the Company not on the original list.

Authority staff would be able to audit GTI as can FERC and DCAA auditors.

GTI reserves the right to supplement this response as the case develops and the parties' positions on this matter become clarified.



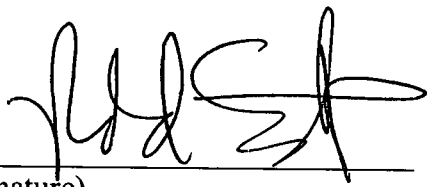
STATE OF ILLINOIS

COUNTY OF COOK

**AFFIDAVIT**

I, RONALD B. EDELSTEIN, Director of State Regulatory Programs for Gas Technology Institute, do hereby certify that the foregoing responses to the Data Requests from the Tennessee Consumer Advocate's and Protection Division were prepared by me or under my supervision and are true and accurate to the best of my knowledge and information.

DATED this 4<sup>th</sup> day of May, 2004.

  
(signature)

RONALD EDELSTEIN  
(printed name)

Sworn to and subscribed before me this 4<sup>th</sup> day of May, 2004.

  
NOTARY PUBLIC

My Commission Expires:

6/30/07



Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. Dale Grimes", written over a horizontal line.

R. Dale Grimes (#6223)

BASS, BERRY & SIMS PLC

AmSouth Center

315 Deaderick Street, Suite 2700

Nashville, Tennessee 37238

(615) 742-6244

*Attorneys for Gas Technology Institute*

### CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing has been served on the following person(s), via the method(s) indicated, on this the 5 day of ~~April~~ <sup>May</sup>, 2004:

<input checked="" type="checkbox"/> Hand	D. Billye Sanders, Esq.
<input type="checkbox"/> Mail	Waller Lansden Dortch & Davis PLLC
<input type="checkbox"/> Facsimile	511 Union Street, Suite 2100
<input checked="" type="checkbox"/> Electronic	P.O. Box 198966
	Nashville, Tennessee 37219-1760
<input type="checkbox"/> Hand	David C. Higney, Esq.
<input checked="" type="checkbox"/> Mail	Grant, Konvalinka & Harrison PC
<input type="checkbox"/> Facsimile	Republic Centre,
<input checked="" type="checkbox"/> Electronic	633 Chestnut Street, Suite 900
	Chattanooga, TN 37450-0001
<input checked="" type="checkbox"/> Hand	Timothy C. Phillips, Esq.
<input type="checkbox"/> Mail	Vance L. Broemel, Esq.
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	P.O. Box 20207
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*R. J. Hines*